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May 14, 1999

EX PARTE OR LATE FILED

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, DC 20554

Ex Parte: Universal Service – CC Docket No. 96-45 and Forward-Looking Mechanism for Non-Rural LECs – CC Docket No. 97-160

Dear Ms. Salas,

On May 13, 1999, GTE submitted a response to an MCI *ex parte* filing regarding structure sharing percentages to be used in the Commission's model to determine high cost support for non-rural local exchange carriers. The fifth paragraph of GTE's response erroneously referred to a North Carolina PUC finding. The reference should have been to a Nevada PUC decision. Attached is a corrected response.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, and original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceeding indicated above.

If you have any questions regarding this matter, please call me at (202) 463-5293.

Sincerely,

W. Scott Randolph
Director - Regulatory Matters

cc: Craig Brown
Rich Cameron
Chuck Keller
Mark Kennet
Katie King
Bob Loube
Jeff Prisbrey
Bill Sharkey

Response to MCI's April 14, 1999, Ex Parte

In their ex parte submission on structure sharing percentages for the FCC's model, MCI has conveniently cited only those state orders where the recommended sharing percentages are high thereby reducing the LECs' costs. In most other states, the recommended sharing percentages are either lower or are very close to the current FCC defaults. Therefore, the state recommended percentages in NC, SC and KY are as follows:

NC PUC: The NC state commission initially ordered use of structure sharing percentages that were the average of BCPM and HAI default inputs. However, after a detailed hearing on this issue, the final order specified the following percentages to be used by all companies.

Distribution Sharing Fractions

Density	UG	Buried	Aerial
0	100%	100%	50%
5	95%	95%	50%
100	90%	90%	50%
200	80%	80%	50%
650	80%	80%	50%
850	80%	80%	50%
2550	80%	80%	50%
5000	80%	80%	50%
10000	80%	80%	50%

Feeder Sharing Fractions

Density	UG	Buried	Aerial
0	100%	100%	50%
5	97.5%	97.5%	50%
100	95%	95%	50%
200	92.5%	92.5%	50%
650	90%	90%	50%
850	90%	90%	50%
2550	85%	85%	50%
5000	85%	85%	50%
10000	85%	85%	50%

These percentages are very close to the current FCC defaults.

SC PUC: The SC state commission examined in detail the various proposals regarding structure sharing. It specifically rejected the very high sharing percentages proposed in the HAI model as unattainable. For GTE, the following structure sharing percentages were ordered.

Distribution Sharing Fractions

Density	UG	Buried	Aerial
0	100%	95%	51.7%
5	100%	95%	51.7%
100	100%	95%	51.7%
200	100%	95%	51.7%
650	100%	95%	51.7%
850	100%	95%	51.7%
2550	100%	95%	51.7%
5000	100%	95%	51.7%
10000	100%	95%	51.7%

Feeder Sharing Fractions

Density	UG	Buried	Aerial
0	100%	95%	51.7%
5	100%	95%	51.7%
100	100%	95%	51.7%
200	100%	95%	51.7%
650	100%	95%	51.7%
850	100%	95%	51.7%
2550	100%	95%	51.7%
5000	100%	95%	51.7%
10000	100%	95%	51.7%

These percentages are higher than the current FCC defaults.

KY PUC: After a series of hearings, the KY state commission ordered the following structure sharing percentages for all companies.

Distribution Sharing Fractions			
Density	UG	Buried	Aerial
0	85%	85%	48%
5	85%	85%	48%
100	85%	85%	48%
200	85%	85%	48%
650	85%	85%	48%
850	85%	85%	48%
2550	85%	85%	48%
5000	85%	85%	48%
10000	85%	85%	48%

Feeder Sharing Fractions			
Density	UG	Buried	Aerial
0	85%	85%	48%
5	85%	85%	48%
100	85%	85%	48%
200	85%	85%	48%
650	85%	85%	48%
850	85%	85%	48%
2550	85%	85%	48%
5000	85%	85%	48%
10000	85%	85%	48%

These percentages are also very close to the current FCC defaults.

In contrast to the above, some of the percentages mentioned in the MCI submission do not seem reasonable. Thus, in the NV PUC order, only 10% of the distribution structure cost would be assigned to the LEC in density zones 200 and higher. The balance, 90%, would be borne by other users. It is not clear on what basis such high sharing percentages were derived. Similarly high percentages of structure sharing proposed in the HAI model have already been rejected by a number of state commissions as unattainable in practice. In contrast, the default inputs in BCPM were found to be more aligned with reality on a forward-looking basis in a number of states.

GTE maintains that company and state specific inputs should be used; however, if the FCC chooses to use other inputs, it should consider what **all** of the state commissions have recommended. The current FCC inputs for structure sharing, when compared to the state commission's inputs, are reasonable. Certain "selected" high sharing percentage inputs proposed by MCI in their ex parte should not be used in the FCC's model.